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S E C R E T SECTION 01 OF 02 BERLIN 001038

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETTC](#) [KNNP](#) [PINR](#) [PREL](#) [IR](#)  
SUBJECT: GERMAN GOVERNMENT HOLDING FAST ON IRANIAN  
SANCTIONS UNDER BUSINESS AND MEDIA PRESSURE

REF: BERLIN 884

Classified By: Global Affairs Unit Chief Donald L. Brown  
for reasons 1.4(b) and 1.4(d)

11. (S) Summary: German Economic Ministry officials asserted Germany's preference for specific, targeted sanctions against Iran but admitted the Ministry continues to struggle with the conflicting twin goals of pressuring Iran economically and answering the demands of their domestic business constituency. According to Ministry contacts, a significant portion of the Iranian business community considers the ruling party's economic plan "a disaster". End Summary

12. (C) On July 9th, EconOffs met with representatives of the German Ministry of Economics and Technology Dr. Ursina Krumpholz, Head of Division Foreign Trade Law, Martin Lutz, her assistant, and Dr. Jurgen Friedrich, Head of Division for North Africa, Near and Middle East. (Note: Friedrich has a rich public-private background which includes extensive experience in Dubai. End note.) The meeting took place on the heels of an article in a leading German newsweekly highlighting the growth in US exports to Iran. (Note: This article is one of many in the last six months alleging active and growing US commercial activity in Iran. End note.)

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German Industry Comments On Bank Melli's Designation.  
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13. (S) The Economics Ministry reported that German industry is unhappy with Germany's decision to impose sanctions on Bank Melli, formerly one of the most prominent money conduits between Germany and Iran. Dr. Friedrich cited a letter he received from an unnamed German pipeline company developing gas transmission capacity between Iran and Europe. The writer asserted that Bank Melli's designation spells the end of his company's relationship with Iran. The author failed to see any link between its pipeline equipment and nuclear weapons and claims that there currently exists a "voluntary total embargo" with respect Iran. Friedrich cited the letter as another example of the ongoing pressure that the Economics Ministry faces on Iran sanctions. The Ministry, however, fully understands and supports the German government's policy on this issue.

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Sanctions: Working, but some backlash from media reports  
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14. (S) Dr. Krumpholz stated that Iranian companies are responding to the sanctions by "circling the wagons". She asserted that much of the Iranian business community views the GOI's economic policies as a "disaster" and specifically

cited the decision to decentralize lending interest rate decision making to local governors. Friedrich reported discontent among Iranians who travel to Dubai and see its economic success but, upon their return home, can only make negative comparisons to the increasingly difficult conditions in Iran. Responding to a question regarding cash flow from Germany to Iran, Friedrich said he suspects Italian banks are a conduit for money and Malaysian firms are shipping goods and facilitating financial transfers.

15. (S) The Ministry representatives emphasized continuing press reports accusing US companies of skirting the US Iranian sanctions regime and an increase in overall US exports to Iran in recent years. Their business constituency continue to allege a "double standard" is at work, whereby the US encourages FRG to restrict German firms' trade with Iran while US trade increases, despite repeated Embassy pronouncements to the contrary. Similarly, the Ministry representatives have been reluctant to take actions that place German business at a competitive disadvantage with respect to other EU or US companies.

16. (C) Germany's statutory Iranian trade sanctions enforcement regime includes . Ministry officials explained that each German company must designate a compliance officer to certify that its exports are not being diverted to Iran in contravention of applicable sanctions. This officer has personal criminal liability for such diversions, including even the "negligent delivery" of goods to Iran.

17. (S) Comment. The German government continues to be a strong partner in Iranian trade sanctions, but remains under

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pressure from both the business community and national media.

In order to counteract this domestic pressure, post will continue to lobby government, business and the media on the Iranian trade sanctions issue. End Comment  
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